Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

CONFIDENTIAL

PAGE 01 STATE 092294
ORIGIN NEA-10

INFO OCT-01 EUR-12 ISO-00 PM-04 SSO-00 IGA-02 L-03
OMB-01 TRSE-00 SS-15 CIAE-00 INR-07 NSAE-00
INRE-00 NSC-05 NSCE-00 /060 R

DRAFTED BY NEA/ARN:TCAROLAN:JR
APPROVED BY NEA:ALATHERTON,JR.
NEA/ARP:FGERLACH (SUBS)
PM/SAS:DKEENE (INFO)
NEA/ARN:MDRAPER
----------232111Z 098427 /66
O 232000Z APR 77
FM SECSTATE WASHDC
TO AMEMBASSY AMMAN IMMEDIATE
AMEMBASSY JIDDA IMMEDIATE
INFO AMEMBASSY LONDON IMMEDIATE
SECDEF IMMEDIATE

C O N F I D E N T I A L STATE 092294

E.O. 11652: GDS

TAGS: MASS, PFOR, JO, US, SA

SUBJECT: SAUDI GUARANTEE OF FY 1976 FMS LOAN TO JORDAN

REF: AMMAN 2143 (NOT SENT LONDON)

1. AFTER EXAMINING TEXT OF SAUDI GUARANTEE (REFTEL) THOROUGHLY, WE WERE FORCED TO CONCLUDE THAT IT IS INADEQUATE. IT IS AMBIGUOUS ON THE ESSENTIAL POINT OF WHO WOULD ASSUME LIABILITY FOR REPAYMENT OF THE PRINCIPAL OF THE LOAN IN THE LIKELY EVENT THAT THE JORDANIANS THEMSELVES CANNOT REPAY IT. INDEED, NUMBERED PARAGRAPHS 2(B) AND 5 OF THE SAUDI GUARANTEE COULD BE INTERPRETED TO MEAN THAT SAG AGREES TO BECOME LIABLE FOR REPAYMENT ONLY AFTER
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 092294

DOD HAD DEFAULTED ON ITS SEPARATE, ULTIMATE GUARANTEE TO THE FEDERAL FINANCING BANK--A SITUATION THAT OUGHT TO BE THE OTHER WAY AROUND. EVEN IF THIS IS NOT WHAT SAUDIS REALLY INTEND, THE LANGUAGE OF THEIR GUARANTEE IS SO VAGUE AS TO CREATE UNCERTAINTY IN OUR MINDS AND POSSIBLY GIVE RISE TO FUTURE CONFUSION AND MISUNDERSTANDINGS ABOUT WHERE LIABILITY FOR REPAYMENT REALLY LIES.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

2. AT U.S.-JORDANIAN JOINT MILITARY TALKS HERE APRIL 21-22, DOD REPRESENTATIVES INFORMED THEIR JORDANIAN COUNTERPARTS OF FOREGOING. THEY NOTED, HOWEVER, THAT THE SAUDI GUARANTEE COULD BE MADE ACCEPTABLE IF AN ADDITIONAL PARAGRAPH (SEE PARA 4 BELOW) WERE INSERTED AFTER NUMBERED PARAGRAPH 7 IN THE SAUDI DOCUMENT. WE FURNISHED TEXT OF THIS ADDITIONAL PARAGRAPH TO THE JORDANIANS AND SUGGESTED THEY CONVEY IT TO THE SAUDIS FOR APPROVAL. GENERAL BIN SHAKER (WHO HAD BROUGHT THE ORIGINAL OF THE SAUDI GUARANTEE TO WASHINGTON) INDICATED THAT KING HUSSEIN WOULD PROBABLY APPROACH KING KHALID ON THIS MATTER IN LONDON BEFORE HIS (HUSSEIN'S) APRIL 24 DEPARTURE FOR THE U.S.

3. IN AN APRIL 23 MEETING WITH SAUDI AMBASSADOR ALIREZA, ASSISTANT SECRETARY ATHERTON BRIEFED HIM ON THE SITUATION DESCRIBED ABOVE, GAVE HIM THE TEXT OF OUR PROPOSED ADDITION TO THE SAUDI GUARANTEE (ALONG WITH COPIES OF ALL OTHER DOCUMENTS RELATING TO THE FMS LOAN), AND SUGGESTED THAT HE RELAY IT TO HIS GOVERNMENT. ALIREZA SAID HE WOULD DO SO, ALTHOUGH HE ACKNOWLEDGED THAT THE JORDANIANS THEMSELVES MAY ALREADY HAVE RAISED THIS MATTER WITH KING KHALID IN LONDON. ATHERTON NOTED THAT WE CONTINUE TO EXPECT THAT THE JORDANIANS WILL TAKE PRIMARY RESPONSIBILITY FOR OBTAINING AN ACCEPTABLE SAUDI GUARANTEE, BUT HE HOPED THAT OUR PARALLEL APPROACH TO ALIREZA WOULD FACILITATE THEIR EFFORTS. HE POINTED OUT THAT WE FULLY EXPECT JORDAN WILL BE UNABLE TO REPAY THE PRINCIPAL OF THE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 092294

LOAN AND THAT SAG--IF IT AGREES TO GUARANTEE THE LOAN, AS WE HOPE IT WILL--WOULD INEVITABLY BE CALLED UPON TO MAKE GOOD ON ITS GUARANTEE.

4. TEXT OF OUR PROPOSED ADDITION TO THE SAUDI GUARANTEE READS AS FOLLOWS:

QUOTE: 8. NOTWITHSTANDING ANY PROVISION OF THE AFORESAID TO THE CONTRARY, SAMA AGREES THAT: (A) ALTHOUGH THE UNITED STATES DEPARTMENT OF DEFENSE IS ALSO A SECONDARY OBLIGOR WITH RESPECT TO THE NOTE BY REASONS OF ITS GUARANTY DATED MAY 26, 1976, THIS GUARANTY SHALL TAKE PRECEDENCE OVER THE GUARANTY OF THE UNITED STATES DEPARTMENT OF DEFENSE WITH RESPECT TO THE PRINCIPAL AMOUNT OF THE NOTE, AND SAMA ACKNOWLEDGES THAT THE BANK, OR ANY OTHER HOLDER OF THE NOTE, MAY, IN THE EVENT OF DEFAULT BY THE BORROWER IN THE DUE AND PUNCTUAL PAYMENT OF THE UNPAID PRINCIPAL AMOUNT DUE UNDER THE NOTE, HAVE FIRST RECOURSE FOR PAYMENT THEREOF UNDER THIS GUARANTY; (B) IN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

THE EVENT EITHER (I) OF DEFAULT BY SAMA OF ITS OBLIGA-
TIONS UNDER THIS GUARANTY AND OF CONSEQUENT PAYMENT BY
THE UNITED STATES DEPARTMENT OF DEFENSE UNDER ITS GUARANTY
TO THE BANK, OR ANY HOLDER OF THE NOTE, OF ANY UNPAID
PRINCIPAL AMOUNT DUE UNDER THE NOTE, OR (II) OF THE BANK,
OR ANY OTHER HOLDER OF THE NOTE, HAVING HAD FIRST RECOURSE
AGAINST THE UNITED STATES DEPARTMENT OF DEFENSE UNDER ITS
GUARANTY FOR PAYMENT OF ANY UNPAID PRINCIPAL AMOUNT DUE
UNDER THE NOTE, THE UNITED STATES DEPARTMENT OF DEFENSE
SHALL BE FULLY INDEMNIFIED, TO THE EXTENT OF ANY PAYMENT
MADE UNDER ITS GUARANTY, BY SAMA; AND (C) SAMA HEREBY
WAIVES DILIGENCE, DEMAND, PROTEST, PRESENTMENT, AND ANY
REQUIREMENT THAT THE BANK, OR ANY HOLDER OF THE NOTE,
EXHAUST ANY RIGHT OR POWER TO TAKE ANY ACTION AGAINST THE
BORROWER OR THE UNITED STATES DEPARTMENT OF DEFENSE AND
ANY NOTICE OF ANY KIND WHATSOEVER TO THE BORROWER, THE
UNITED STATES DEPARTMENT OF DEFENSE OR SAMA OTHER THAN THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 092294

DEMAND FOR PAYMENT REQUIRED TO BE GIVEN TO SAMA HEREUNDER
IN THE EVENT OF DEFAULT BY THE BORROWER ON A PRINCIPAL
PAYMENT DUE UNDER THE NOTE, AND ACCORDINGLY AGREES THAT
THE AMOUNT DUE AND PAYABLE UNDER THIS GUARANTY SHALL BE
THE AMOUNT OF PRINCIPAL WHICH REMAINS UNPAID BY THE
BORROWER FOR A PERIOD OF 10 DAYS FROM THE DATE SUCH AN
AMOUNT WAS DUE AND PAYABLE BY THE BORROWER. END QUOTE.
VANCE

CONFIDENTIAL

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY SALES, LOAN GUARANTEES, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 23-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE092294
Document Source: CORE
Document Unique ID: 00
Drafter: TCAROLAN:JR
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770142-1120
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770425/aaaaavll.tel
Line Count: 147
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 69e716a0-c288-dd11-92da-001cc4696bcc
Office: ORIGIN NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 AMMAN 2143
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2712372
Secure: OPEN
Status: NATIVE
Subject: SAUDI GUARANTEE OF FY 1976 FMS LOAN TO JORDAN
TAGS: MASS, PFOR, JO, US, SA
To: AMMAN JIDDA
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/69e716a0-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009